UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

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SATA GmbH & Co. KG, Plaintiff, v. Taizhou Xingye Pneumatic Tools Co., Ltd, Defendant.	Case No.: 2:19-cv-01948-GMN-BNW **REPORT AND RECOMMENDATION**

Before the Court is Plaintiff's Motion for Default Judgment. ECF No. 8. No response has been filed.

I. Procedural Background

On November 6, 2019, Plaintiff filed a verified complaint. ECF No. 1. Plaintiff alleged that it is a leading manufacturer of paint spray guns, paint spray gun reservoirs, and related equipment principally used to paint automobiles. *Id.* Plaintiff further alleged that it has several trademarks and patents for its goods that Defendant infringed. *Id.* Specifically, Plaintiff alleged that Defendant engaged in trademark counterfeiting in violation of 15 U.S.C. § 1114, trademark infringement also in violation of 15 U.S.C. § 1114, false designation of origin/unfair competition in violation of 15 U.S.C. § 1125, common law trademark infringement and unfair competition, and design patent infringement in violation of 35 U.S.C. §§ 171, 289. *Id.* Plaintiff sought a permanent injunction prohibiting Defendant from engaging in this conduct in the future, damages, attorneys' fees, and costs. *Id.* at 18-19.

A summons was issued to Defendant and returned as executed on November 12, 2019. ECF Nos. 2, 5. Defendant did not answer or otherwise respond to Plaintiff's complaint. Accordingly, on February 11, 2020, Plaintiff moved for entry of clerk's default. ECF No. 6. The

clerk granted this request the next day. ECF No. 7. Now, Plaintiff moves for default judgment against Defendant. ECF No. 8.

II. Jurisdiction

The Court has subject matter jurisdiction over this case under 28 U.S.C. § 1331, as this case arises under the laws of the United States (namely, the federal trademark and patent statutes). The Court also has supplemental jurisdiction over Plaintiff's related state law claims under 28 U.S.C. § 1367, as these claims are so related to the claims over which the Court has original jurisdiction that they form part of the same case or controversy.

The Court also has personal jurisdiction over Defendant. This is so because Defendant advertised, displayed, and offered to sell its infringing goods in Nevada. *See* ECF No. 1 at 2; *TeleVideo Sys., Inc. v. Heidenthal*, 826 F.2d 915, 917-18 (9th Cir. 1987) (upon entry of default, all well-pled facts in the complaint are taken as true, except those relating to the amount of damages).

III. Legal Analysis

A. Default Judgments

Under Federal Rule of Civil Procedure 55(b)(2), the court may enter default judgment if the clerk previously entered default based on the defendant's failure to defend. After entry of default, the factual allegations in the complaint are taken as true, except those relating to damages. *TeleVideo Sys.*, 826 F.2d at 917-18; Fed. R. Civ. P. 8(b)(6) ("An allegation—other than one relating to the amount of damages—is admitted if a responsive pleading is required and the allegation is not denied."). Whether to grant a default judgment lies within the court's discretion. *Eitel v. McCool*, 782 F.2d 1470, 1471 (9th Cir. 1986). In deciding whether to enter a default judgment, the court considers factors such as:

> (1) the possibility of prejudice to the plaintiff, (2) the merits of plaintiff's substantive claim, (3) the sufficiency of the complaint, (4) the sum of money at stake in the action; (5) the possibility of a dispute concerning material facts; (6) whether the default was due to excusable neglect, and (7) the strong policy underlying the Federal Rules of Civil Procedure favoring decisions on the merits.

Id. at 1471-72. A default judgment generally is disfavored because "[c]ases should be decided upon their merits whenever reasonably possible." *Id.* at 1472.

B. Default Judgment in This Case

Here, the Court has discretion to enter a default judgment, as the clerk previously entered default based on Defendant's failure to defend. *See* ECF No. 7. Accordingly, the Court considers the seven *Eitel* factors to determine if entering a default judgment is appropriate in this case.

First, the Court considers the possibility of prejudice to the plaintiff. Plaintiff would be prejudiced if it had to try this case rather than obtain a default judgment, as trial would require additional expenditure of human and financial resources. These expenses and efforts are unnecessary because the complaint alleged sufficient facts to demonstrate Defendant's unlawful conduct, and those allegations are uncontested. *See United States v. $150,990.00 in U.S. Currency*, No. 2-12-CV01014-JAD, 2014 WL 6065815, at *2 (D. Nev. Nov. 10, 2014) ("[T]he government would be prejudiced by having to expend additional resources litigating an action that appears to be uncontested. This factor favors default judgment."). Accordingly, the first factor cuts in favor of entering a default judgment.

Second, the Court considers the merits of Plaintiff's substantive claim. Plaintiff filed a detailed, verified complaint describing Defendant's unlawful conduct. These allegations are uncontested and are now deemed admitted. *See* Fed. R. Civ. P. 8(b)(6). This factor cuts in favor of entering a default judgment.

Third, the Court considers the sufficiency of the complaint. As previously stated, the complaint is detailed and verified. It sufficiently sets forth Plaintiff's trademark infringement and related claims under the liberal pleading standard of Rule 8 of the Federal Rules of Civil Procedure. This factor cuts in favor of entering a default judgment.

Fourth, the Court considers the sum of money at stake in the action. Plaintiff requests over ten million dollars between statutory damages, attorneys' fees, and costs. *See* ECF No. 8 at 27. Relatively speaking, this is a large sum of money. However, large statutory damage awards

are permitted, as those who infringe other's intellectual property can profit enormously from their conduct. Accordingly, this factor neither cuts for nor against entering a default judgment.

Fifth, the Court considers the possibility of a dispute concerning material facts. Currently, there is no dispute over any material facts. And given Defendant's failure to participate in this case, a dispute over any material facts is unlikely. This factor cuts in favor of entering a default judgment.

Sixth, the Court considers whether the default was due to excusable neglect. There is no evidence that Defendant's default is due to excusable neglect. Despite being personally served with process, Defendant has not responded for more than a year. ECF Nos. 5 at 2; 6-1 at 2. This factor cuts in favor of entering default judgment.

Seventh, the Court considers the strong policy underlying the Federal Rules of Civil Procedure favoring decisions on the merits. While the Federal Rules favor decisions on the merits, they also frequently permit termination of cases before the court reaches the merits. As Rule 55 indicates, one such instance is when a party fails to defend against an action. Thus, the preference to decide cases on the merits does not preclude a court from entering a default judgment. *Kloepping v. Fireman's Fund, No. C 94-2684 T*EH, 1996 WL 75314, at *3 (N.D. Cal. Feb. 13, 1996). While cases should be decided on the merits when possible, given Defendant's failure to participate in this case, a decision on the merits is "impractical, if not impossible." *See PepsiCo, Inc. v. Cal. Sec. Cans*, 238 F. Supp. 2d 1172, 1177 (C.D. Cal. 2002.). Accordingly, this factor cuts in favor of granting a default judgment.

Considering all the *Eitel* factors, the Court finds, in its discretion, that entering a default judgment in this case is appropriate.

C. Relief Requested

As previously noted, Plaintiff seeks a permanent injunction prohibiting Defendant from engaging in this conduct in the future, damages, attorneys' fees, and costs. The Court will analyze the propriety of each form of relief requested.

1. Permanent Injunction

First, Plaintiff seeks a permanent injunction prohibiting Defendant from infringing on its intellectual property rights. "[A] permanent injunction may be entered where the plaintiff shows: '(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of the hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.'" *La Quinta Worldwide LLC v. Q.R.T.M., S.A. de C.V.*, 762 F.3d 867, 879 (9th Cir. 2014). Injunctive relief is almost always appropriate in trademark and unfair competition cases, "since there is no adequate remedy at law for the injury caused by a defendant's continuing infringement." *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1180 (9th Cir. 1988).

Here, the Court finds that a permanent injunction is appropriate. First, Plaintiff has suffered and will continue to suffer irreparable injury (including to its goodwill) without a permanent injunction. Second, remedies at law (including monetary damages) are inadequate to compensate Plaintiff for the ongoing damage it will suffer if the infringement is allowed to continue. Third, considering the balance of the hardships between Plaintiff and Defendant, a permanent injunction is still warranted. Simply put, Defendant has no right to infringe on Plaintiff's intellectual property. Fourth, the public interest is not disserved by a permanent injunction. To the contrary, the public will be served by a permanent injunction that prevents confusion about the source of Plaintiff and Defendant's goods. Accordingly, a permanent injunction that prohibits Defendant from continuing to infringe on Plaintiff's intellectual property is warranted.

How broad this permanent injunction should be is another, trickier question. Federal Rule of Civil Procedure 65(d)(1) provides that every injunction must contain: the reasons why it was issued, its specific terms, and the acts restrained. Rule 65(d)(2) provides that only the following people or entities who receive actual notice of the order by personal service or otherwise can be bound by it: parties, parties' officers, agents, servants, employees, attorneys, and others who are

in active concert or participation with the aforementioned. Additionally, in trademark cases, injunctions should be fashioned to prevent the likelihood of confusion. *Internet Specialties W., Inc. v. Milon-DiGiorgio Enterprises, Inc.*, 559 F.3d 985, 993 (9th Cir. 2009).

Here, Plaintiff requests a detailed and broad injunction. ECF No. 8 at 25. Having considered Plaintiff's request and the law, the Court recommends the following permanent injunction: Defendant Taizhou Xingye Pneumatic Tools Co., Ltd and its officers, agents, servants, employees, attorneys, and all others who are in active concert or participation with the aforementioned are permanently enjoined from using in commerce (including through manufacturing, selling, offering for sale, distributing, promoting, advertising, and/or displaying) any reproduction, counterfeit, copy, or colorable imitation likely to cause confusion of a product that infringes on any of the following trademarks and/or patents of Plaintiff's:

1. U.S. Trademark Registration No. 3,153,260;
2. U.S. Trademark Registration No. 3,072,417;
3. U.S. Trademark Registration No. 2,770,801;
4. U.S. Trademark Registration No. 2,774,593;
5. U.S. Trademark Registration No. 2,793,583;
6. U.S. Trademark Registration No. 4,920,510 ("1000");
7. U.S. Trademark Registration No. 4,920,511 ("2000");
8. U.S. Trademark Registration No. 4,920,512 ("3000");
9. U.S. Trademark Registration No. 4,666,773 ("4000");
10. U.S. Trademark Registration No. 2,591,111 ("RP");
11. U.S. D644,716 ("'716 Patent");
12. U.S. D548,816 ("'816 Patent");
13. U.S. D552,715 ("'715 Patent"); and
14. U.S. D552,213 ("'213 Patent").[1]

Defendant Taizhou Xingye Pneumatic Tools Co., Ltd.'s products that infringe these trademarks and/or patents include, but are not necessarily limited to, the following models:

1. M-1000G
2. M-808
3. M-4000G
4. M-3000P
5. MINI 3000P

[1] *See* ECF No. 1 at 4-5 (detailing the trademarks and patents at issue in this case).

6. H-2000
7. M-3000G
8. M-2000G
9. AB-17G
10. R-3100
11. An unnamed model number on MingFar's website that infringes U.S. Design Patent D552,715 for SATAjet 3000 B.[2]

2. Damages

Plaintiff requests statutory damages under 15 U.S.C. § 1117(c). ECF No. 8 at 20. This provision of the Lanham Act provides that in cases involving the use of counterfeit marks, a plaintiff may elect to recover statutory damages, as opposed to actual damages and profits. 15 U.S.C. § 1117(c). "[S]tatutory damages are appropriate in default judgment cases because the information needed to prove actual damages is within the infringers' control and is not disclosed. An award of statutory damages should not merely compel[ ] restitution of profit and reparation for injury but also discourage wrongful conduct." *Hand & Nail Harmony, Inc. v. Guangzhou Shun Yan Cosmetics Co.*, No. 2:12-CV-01212-JCM, 2015 WL 4378197, at *6 (D. Nev. July 15, 2015) (internal quotations and citations omitted). To this end, the Court may award

> (1) not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or
>
> (2) if the court finds that the use of the counterfeit mark was willful, not more than $2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

15 U.S.C. § 1117(c).

Here, Plaintiff requests $10,000,000 in statutory damages under 15 U.S.C. § 1117(c)(2), and the Court finds that this request is permissible under the statute and just. Plaintiff alleges that Defendant engaged in willful trademark counterfeiting. ECF No. 1 at 12-13. This allegation is supported by factual allegations that Defendant has infringed Plaintiff's trademarks in the past,

[2] *See* ECF No. 1 at 9-11 (detailing Defendant's counterfeit spray guns and the intellectual property of Plaintiff's that the spray guns infringe).

that Plaintiff has obtained multiple judgments against Defendant for this conduct, that at least some of Defendant's infringing products are nearly identical to Plaintiffs, and that Defendant infringed numerous trademarks and patents of Plaintiffs. *See id.* at 4-5, 7, 9-11, 12; ECF No. 1-3. These allegations are all deemed true. *See Derek Andrew, Inc. v. Poof Apparel Corp.*, 528 F.3d 696, 702 (9th Cir. 2008) ("[A]ll factual allegations in the complaint are deemed true, including the allegation of [defendant's] willful infringement of [plaintiff's] trademarks."). Plaintiff further alleges that Defendant had nine infringing products that used ten different counterfeit trademarks. *See id.* at 4-5, 9-11. Some of these counterfeit trademarks were used on more than one of the nine infringing products, resulting in Defendant using 21 counterfeit marks total. *See id.* at 9-11. Plaintiff also alleges that the infringing products were offered for sale and distributed. *See id.* at 12-13. All these allegations are deemed true. *See TeleVideo Sys.*, 826 F.2d at 917-18; Fed. R. Civ. P. 8(b)(6). Accordingly, the Court may award up to $2,000,000 per counterfeit mark per type of good offered for sale or distributed. *See* 15 U.S.C. § 1117(c)(2). Given Defendant's use of 21 counterfeit marks, the Court may award Plaintiff up to $42,000,000. Against this backdrop, the Court finds it is just to award Plaintiff its requested $10,000,000 in statutory damages (less than a quarter of what the Court could award).

3. Attorneys' Fees

Section 1117(a) authorizes the Court to award attorneys' fees to the prevailing party in "exceptional cases." The phrase "exceptional cases" is not defined within the statute. In providing guidance on the meaning of this phrase, the Ninth Circuit has noted that "numerous courts have awarded attorneys' fees to trademark owners who prosecuted actions against willful and deliberate infringers and counterfeiters." *Playboy Enterprises, Inc. v. Baccarat Clothing Co.*, 692 F.2d 1272, 1276 (9th Cir. 1982). The Ninth Circuit also found that a district court abused its discretion in failing to award attorneys' fees when the defendant deliberately arranged to obtain and sell what it knew to be counterfeit goods. *Id.* at 1276-77.

Here, the Court finds that this is an exceptional case and will recommend that Plaintiff be awarded its reasonable attorneys' fees. The Court finds that this is an exceptional case for several

reasons. First, the Court already found that Defendant's infringing conduct was willful based on Plaintiff's undisputed allegations. Second, Plaintiff alleges and offers evidence that it has successfully sued Defendant multiple times before for violating its intellectual property rights. ECF Nos. 1 at 7; 1-3. Accordingly, Defendant is well aware of Plaintiff, its intellectual property rights, and the fact that it should not be infringing on these rights. Still, Defendant has not stopped violating Plaintiff's rights. Third, Plaintiff has offered evidence that at least some (if not all) of Defendant's infringing products are nearly identical to Plaintiff's. *See, e.g.*, ECF No. 1 at 12. Fourth, Defendant did not just infringe one of Plaintiff's trademarks but rather ten trademarks and four patents. *Id.* at 4-5, 9-11. All these factors suggest that Defendant knowingly, willfully, and repeatedly violated Plaintiff's intellectual property rights.[3] As such, the Court finds that this is an exceptional case and that the attorneys' fees provision of the Lanham Act "was specifically directed towards eliminating such blatant activity." *See Playboy Enterprises*, 692 F.2d at 1276.

Plaintiff requests $7,153 in attorneys' fees, and the Court finds that this is a reasonable request. ECF No. 8 at 22. A court should only award attorneys' fees that it deems reasonable. *Moreno v. City of Sacramento*, 534 F.3d 1106, 1111 (9th Cir. 2008). The lodestar method is the customary method the court uses when determining attorneys' fees. *Morales v. City of San Rafael*, 96 F.3d 359, 363 (9th Cir. 1996). "The 'lodestar' is calculated by multiplying the number of hours the prevailing party reasonably expended on the litigation by a reasonable hourly rate." *Id.*; *see also McGrath v. City of Nevada*, 67 F.3d 248, 252 (9th Cir. 1995). The lodestar amount is a presumptively reasonable fee. *Camacho v. Bridgeport Fin., Inc.*, 523 F.3d 973, 982 (9th Cir. 2008). Although presumptively reasonable, the court may adjust the lodestar amount based on the *Kerr* factors[4] to account for facts that have not been subsumed in the lodestar calculation. *Id.*

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[3] To the extent more evidence of Defendant's willful conduct might be preferred before attorneys' fees are awarded, Plaintiff will not be punished for Defendant's failure to appear and allow discovery into such matters.

[4] The *Kerr* factors include:

> (1) the time and labor required, (2) the novelty and difficulty of the questions involved, (3) the skill requisite to perform the legal service properly, (4) the preclusion of other

Here, Plaintiff's request for fees is based on the lodestar method (with rates between $235 and $315 per hour and 25.7 hours spent on this case). *See* ECF No. 8-6 (invoices). The Court finds that amount requested, $7,153, is reasonable and need not be adjusted based on the *Kerr* factors.

4. Costs

Plaintiff requests $742.10 in costs it incurred in this action under 15 U.S.C. § 1117(a)(3). This section provides that "[w]hen a violation of any right of the registrant of a mark registered in the Patent and Trademark Office" has been established in a civil action, the plaintiff is entitled to the costs of the action. 15 U.S.C. § 1117(a)(3). Here, Plaintiff has established that its rights as a registrant of multiple marks have been violated. *See* ECF No. 1; *TeleVideo Sys.*, 826 F.2d at 917-18 (all well-pled facts in the complaint are taken as true). Plaintiff also submitted a bill of costs establishing that it incurred $742.10 in costs to file this action and serve Defendant. ECF No. 9. Accordingly, the Court will recommend that Plaintiff be awarded these costs.

IV. Recommendations

IT IS THEREFORE RECOMMENDED that Plaintiff's motion for default judgment (ECF No. 8) be GRANTED.

IT IS FURTHER RECOMMENDED that default judgment be entered in favor of Plaintiff SATA GmbH & Co. KG and against Defendant Taizhou Xingye Pneumatic Tools Co., Ltd.

IT IS FURTHER RECOMMENDED that Defendant Taizhou Xingye Pneumatic Tools Co., Ltd and its officers, agents, servants, employees, attorneys, and all others who are in active concert or participation with the aforementioned be permanently enjoined from using in

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> employment by the attorney due to acceptance of the case, (5) the customary fee, (6) whether the fee is fixed or contingent, (7) time limitations imposed by the client or the circumstances, (8) the amount involved and the results obtained, (9) the experience, reputation, and ability of the attorneys, (10) the 'undesirability' of the case, (11) the nature and length of the professional relationship with the client, and (12) awards in similar cases.

Kerr v. Screen Extras Guild, Inc., 526 F.2d 67, 70 (9th Cir. 1975).

commerce (including through manufacturing, selling, offering for sale, distributing, promoting, advertising, and/or displaying) any reproduction, counterfeit, copy, or colorable imitation likely to cause confusion of a product that infringes on any of the following trademarks and/or patents of Plaintiff's:

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8. M-2000G
9. AB-17G
10. R-3100
11. An unnamed model number on MingFar's website that infringes U.S. Design Patent D552,715 for SATAjet 3000 B.

IT IS FURTHER RECOMMENDED that Defendant be ordered to pay Plaintiff $10,000,000 in statutory damages.

IT IS FURTHER RECOMMENDED that Defendant be ordered to pay Plaintiff $7,153 in attorneys' fees.

IT IS FURTHER RECOMMENDED that Defendant be ordered to pay Plaintiff $742.10 in costs.

NOTICE

This report and recommendation is submitted to the United States district judge assigned to this case under 28 U.S.C. § 636(b)(1). A party who objects to this report and recommendation may file a written objection supported by points and authorities within fourteen days of being served with this report and recommendation. Local Rule IB 3-2(a). Failure to file a timely objection may waive the right to appeal the district court's order. *Martinez v. Ylst*, 951 F.2d 1153, 1157 (9th Cir. 1991).

DATED: January 27, 2021

Brenda Weksler
United States Magistrate Judge